



# Office of the Legislative Auditor

State of Montana

Report to the Legislature

December 1993

## Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1993

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## Board of Regents and Commissioner of Higher Education

This report contains five recommendations including:

- ▶ Complying with federal regulations governing:
  - Cash management.
  - Time and effort.
- ▶ Deferring summer session fees.
- ▶ Billing units for Montana Educational Telecommunications Network (METNET) participation.
- ▶ Paying rent for Board of Public Education.

201705 100105

Direct comments/inquiries to:  
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Room 135, State Capitol  
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## FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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LEGISLATIVE AUDITOR:  
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STATE OF MONTANA

## Office of the Legislative Auditor

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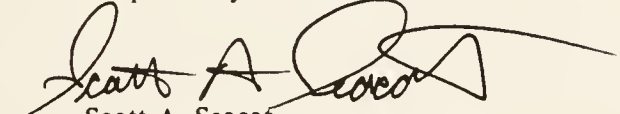
December 1993

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Board of Regents and Commissioner of Higher Education for the two fiscal years ended June 30, 1993. Included in this report are five recommendations. The written response to the audit recommendations is included at the end of the audit report.

We thank the commissioner and his staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

  
Scott A. Seacat  
Legislative Auditor



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# **Office of the Legislative Auditor**

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**Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 1993**

## **Board of Regents and Commissioner of Higher Education**

Members of the audit staff involved in this audit were Renee Foster, Wayne Kedish, Tori Hunthausen, and Paul J. O'Loughlin.



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## Appointed and Administrative Officials

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### Board of Regents of Higher Education

Term  
Expires

Marc Racicot, Governor\*

Nancy Keenan, Superintendent  
of Public Instruction\*

|                   |        |      |
|-------------------|--------|------|
| L. Colleen Conroy | Hardin | 1994 |
|-------------------|--------|------|

|                               |         |      |
|-------------------------------|---------|------|
| Shane Coleman, Student Regent | Bozeman | 1994 |
|-------------------------------|---------|------|

|                 |        |      |
|-----------------|--------|------|
| Cordell Johnson | Helena | 1996 |
|-----------------|--------|------|

|                    |          |      |
|--------------------|----------|------|
| Kermit R. Schwanke | Missoula | 1997 |
|--------------------|----------|------|

|                |         |      |
|----------------|---------|------|
| Paul F. Boylan | Bozeman | 1998 |
|----------------|---------|------|

|                    |       |      |
|--------------------|-------|------|
| Jim Kaze, Chairman | Havre | 1999 |
|--------------------|-------|------|

|                    |          |      |
|--------------------|----------|------|
| Patrick P. Davison | Billings | 2000 |
|--------------------|----------|------|

\*Ex officio member

### Administrative Officials

|                   |                                  |
|-------------------|----------------------------------|
| Dr. Jeff D. Baker | Commissioner of Higher Education |
|-------------------|----------------------------------|

|                 |  |
|-----------------|--|
| David L. Toppen | Executive Associate Commissioner<br>for Higher Education |
|-----------------|--|

|              |  |
|--------------|--|
| Rod Sundsted | Associate Commissioner for Fiscal<br>Affairs |
|--------------|--|

|                 |                                   |
|-----------------|-----------------------------------|
| Laurie O. Neils | Director of Budget and Accounting |
|-----------------|-----------------------------------|

## Summary of Recommendations

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This listing below serves as a means of summarizing the recommendations contained in the report, the agency's response thereto, and a reference to the supporting comments.

|                          |  |
|--------------------------|--|
| <u>Recommendation #1</u> | We recommend CHE:<br><br>A. Establish procedures to monitor subrecipient cash balances.<br><br>B. Modify procedures to disburse funds based on demonstrated need. .... 8<br><br><u>Agency Response:</u> Concur. See page B-4.            |
| <u>Recommendation #2</u> | We recommend CHE ensure time and effort records support charges to the Carl Perkins grant and other federal programs. .... 9<br><br><u>Agency Response:</u> Concur. See page B-5.  |
| <u>Recommendation #3</u> | We recommend CHE ensure units of the Montana University System record summer session financial activity in accordance with generally accepted accounting principles. .... 10<br><br><u>Agency Response:</u> Do Not Concur. See page B-6. |
| <u>Recommendation #4</u> | We recommend CHE collect and deposit the METNET fee assessment by July 1 in accordance with state law. .... 11<br><br><u>Agency Response:</u> Concur. See page B-7.  |
| <u>Recommendation #5</u> | We recommend CHE work with BPE and the Governor's Office of Budget and Program Planning to transfer budget authority for rent, and related expenditures, from CHE and BPE. .... 12<br><br><u>Agency Response:</u> Concur. See page B-8.  |



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## Introduction

We performed a financial-compliance audit of the Board of Regents (board) and Commissioner of Higher Education (CHE) for the two fiscal years ended June 30, 1993. The objectives of our audit were to:

1. Determine compliance with applicable state and federal laws and regulations.
2. Make recommendations for improvement in the agency's management and internal controls.
3. Determine if the agency's financial schedules are fairly presented for the two fiscal years ended June 30, 1993.
4. Determine the implementation status of prior audit recommendations.

We coordinated our financial-compliance audit work with the annual financial-compliance audits of the Montana Guaranteed Student Loan Program (#92-25 and #93-25). The Montana Guaranteed Student Loan Program allows eligible students to receive guaranteed loans from lending institutions for post-secondary education. A performance audit of the Montana Guaranteed Student Loan Program was also issued during the audit period (#92P-36). Issues identified in these audits were considered in the scope of our audit work.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations made in this report. Other areas of concern deemed not to have significant effect on the successful operations of the agency are not specifically included in the report, but have been discussed with management.

# Introduction

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## Background

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### Board of Regents of Higher Education

Article X of the Montana Constitution establishes the Board of Regents of Higher Education (board) to govern and control the Montana University System. The board is also vested with administrative and supervisory control of the six units of the university system and the vocational-technical centers and general supervision of community colleges. The board consists of seven members appointed by the Governor and confirmed by the Senate. The Governor and Superintendent of Public Instruction are ex-officio members of the board.

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### Commissioner of Higher Education

Article X of the Montana Constitution requires the board to appoint a Commissioner of Higher Education. The board prescribes the term and duties of the commissioner. The commissioner is responsible for overall supervision and coordination of units of the university system. This includes academic planning and curriculum review, budgetary planning and control, legal services, and labor negotiation policies and procedures.

Table 1 provides a summary of the funding source for employees in the Commissioner's Office.

Table 1

Funding Source for CHE Employees  
Fiscal Year 1993

|                                    | <u>FTE</u><br><u>Employees</u> | <u>Percent</u> |
|------------------------------------|--------------------------------|----------------|
| GENERAL FUND:                      |                                |                |
| University System Administration   | 14.55                          |                |
| Carl Perkins Administration        | 1.10                           |                |
| Vo-Tech Administration             | 1.80                           |                |
| Minority Achievement               | <u>2.00</u>                    |                |
| Subtotal                           | <u>19.45</u>                   | 25.4           |
| FEDERAL FUNDS:                     |                                |                |
| Guaranteed Student Loan Program    | 40.70                          |                |
| Talent Search                      | 8.95                           |                |
| Carl Perkins Administration        | <u>2.10</u>                    |                |
| Subtotal                           | <u>51.75</u>                   | 67.5           |
| PROPRIETARY FUNDS:                 |                                |                |
| Group Insurance                    | 3.50                           |                |
| Montana Career Information Systems | <u>2.00</u>                    |                |
| Subtotal                           | <u>5.50</u>                    | 7.1            |
| TOTAL FTE                          | <u>76.70</u>                   | <u>100</u>     |

Source: Compiled by the Legislative Auditor's Office from agency records.

The commissioner also administers the Western Interstate Commission for Higher Education (WICHE) and the Washington, Alaska, Montana, Idaho (WAMI) cooperative medical program. The WICHE program provides education opportunities for Montana students in the fields of medicine, dentistry, veterinary medicine, optometry, public health, occupational therapy, and podiatry. The WAMI program is a cooperative agreement for medical education. Table 2 provides a summary of expenditures for both programs.

Table 2

WICHE and WAMI  
Summary of Program Expenditures

| <u>Fiscal Year</u> | <u>Appropriation</u> |       | <u>Expenditure</u> | <u>Students</u> |
|--------------------|----------------------|-------|--------------------|-----------------|
|                    |                      | WICHE |                    |                 |
| 1991-92            | \$1,695,972          |       | \$1,695,972        | 108             |
| 1992-93            | 1,623,401            |       | 1,623,401          | 113             |
|                    |                      | WAMI  |                    |                 |
| 1991-92            | \$2,129,818          |       | \$2,129,818        | 80 <sup>1</sup> |
| 1992-93            | 2,205,908            |       | 2,205,908          | 80              |

<sup>1</sup> The WAMI program provides for 80 student slots (20 for each academic year).

Source: Compiled by the Legislative Auditor's Office from agency records.

Table 3 summarizes the total number of students, by field, participating in the WICHE program during fiscal year 1992-93. The table also shows the total expenditures less scholarships. During fiscal year 1992-93, scholarships totalled \$56,299.

Table 3

WICHE Enrollment by Field and  
Total Cost Less Scholarships

| <u>Field</u>             | <u>Total Students</u> | <u>Total Cost Less Scholarships</u> |
|--------------------------|-----------------------|-------------------------------------|
| Medicine                 | 23                    | \$ 399,868                          |
| Osteopathic Medicine     | 5                     | 46,000                              |
| Dentistry                | 11                    | 129,333                             |
| Veterinary Medicine      | 42                    | 736,000                             |
| Podiatry                 | 3                     | 23,700                              |
| Optometry                | 15                    | 99,400                              |
| Occupational Therapy     | 4                     | 23,501                              |
| Public Health            | 4                     | 13,199                              |
| Minnesota Dental         | 6                     | 77,400                              |
|                          | 113                   | 1,548,401                           |
| Administration           |                       | 75,000                              |
| Total WICHE Expenditures |                       | <u>\$1,623,401</u>                  |

Source: Compiled by the Legislative Auditor's Office from agency records.



# Prior Audit Recommendations

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## **Prior Audit Recommendations**

Our office performed the Board of Regents and Commissioner of Higher Education audit for the two fiscal years ended June 30, 1991. The prior report contained five recommendations.

Of the four recommendations still applicable to operations, the agency implemented two, partially implemented one, and did not implement one. One recommendation not fully implemented relates to allowability of charges to the Carl Perkins grant as discussed on page 8 of this report. The second recommendation not fully implemented relates to a General Fund reversion of \$24,442. Effective July 1, 1991, section 17-7-304, MCA, allows the university system to retain excess appropriation authority. The change in section 17-7-304, MCA, applies to the reversions due from fiscal year 1990-91. Prior to this change, the university system's unspent appropriation authority became an obligation to the General Fund, payable to the General Fund by the end of the second fiscal year.

Excess appropriation authority for the university system for fiscal year 1989-90 totalled \$24,442. This unspent authority became an obligation to the General Fund at June 30, 1991. CHE officials did not concur with our recommendation because they believe the change in section 17-7-304, MCA, applies to reversions occurring during fiscal year 1990-91. However, we believe the fiscal year 1989-90 unused appropriation was subject to the reversion language in effect at fiscal year-end 1989-90.

# Findings and Recommendations

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## **Federal Program Compliance and Management**

The federal Single Audit Act of 1984 requires auditors to test compliance with federal laws and regulations which apply to the operation and management of federal assistance programs. To comply with federal audit requirements, our report discloses federal compliance issues identified during the audit, including identification of questioned costs.

Questioned costs are costs which, based on our audit work, may not be consistent with the requirements set forth in the regulations governing the allocability, allowability, or reasonableness of costs charged to specific federal programs.

Agency management is responsible for directing the corrective action or resolution associated with federal compliance issues and questioned costs, by submitting a plan for corrective action to the appropriate federal cognizant agency.

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## **Carl D. Perkins Vocational Education Program**

The Board of Regents is the sole state recipient of funds under the Carl D. Perkins Federal Vocational Education Act (CFDA #84.048). Carl Perkins grants are used to promote vocational education in the state. On behalf of the board, CHE subgrants Carl Perkins grant moneys to the Office of Public Instruction (OPI) for secondary vocational education projects. CHE also administers Carl Perkins grants to the five vocational-technical centers, colleges and universities, and community colleges offering a two-year program plan. During our audit we identified areas where CHE could improve its compliance with federal regulations pertaining to the Carl Perkins program. The following three report sections discuss areas for improvement.

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## **Cash Management**

CHE subgrants Carl Perkins funds to post-secondary educational institutions to fund specific projects. During our audit of the program, we determined CHE's system for distributing Carl Perkins funds to subrecipients is not adequate to keep federal cash disbursements limited to the institution's immediate cash needs. CHE distributes advances based on an estimate of need established at the start of each grant period, not on demonstrated

## Findings and Recommendations

need. Federal regulations require CHE's financial management system to include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the grantee. These regulations also require advances made by CHE, to subrecipients, to conform substantially to the same standards of timing and amount as apply to advances by the federal government to CHE.

We reviewed one subrecipient's file during the audit period and, as shown in Table 4, noted the advances, based on an estimate of need, resulted in excessive cash on hand.

| Table 4  |                 |                      |                                  |
|--|-----------------|----------------------|----------------------------------|
| <u>Billings Vocational-Technical Center</u>                  |                 |                      |                                  |
| <u>Project Quarterly Reports</u>                             |                 |                      |                                  |
|  | <u>Receipts</u> | <u>Disbursements</u> | <u>Excess Cash<br/>On Hand**</u> |
| 1st Qtr  | \$34,000        | \$10,690             | \$23,310                         |
| 2nd Qtr  | 24,000          | 20,799               | 26,511                           |
| 3rd Qtr  | 4,000           | 11,424               | 19,087                           |
| 4th Qtr  | 14,088          | 22,111               | 11,064                           |
| ** Excess cash on hand is identified on the quarterly report |                 |                      |                                  |

We reviewed an additional two of the five vocational-technical centers' files, both identifying similar excessive cash balances on a quarterly basis.

Each subrecipient is required to submit a Project Quarterly Report of Disbursements and Estimated Requirements for Federal Funds. This report shows the amount of funds received during the quarter, the amount of funds disbursed during the quarter and the amount of funds on hand at the end of the quarter.

CHE personnel attempt to use this quarterly report to monitor subrecipient cash balances; however, these reports do not provide adequate information regarding cash needs or cash balances. CHE could improve its ability to monitor subrecipients by requiring monthly cash balances to be reported on the quarterly reports. CHE could also improve control over subrecipient cash

## **Findings and Recommendations**

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balances by distributing cash advances based on demonstrated need rather than monthly distributions based upon estimates of cash needs submitted at the start of each grant period.

Personnel explained the responsibility for monitoring the cash needs of the post-secondary institutions has changed due to turnover in personnel. Personnel currently responsible for procedures agreed to look into alternative procedures.

### **Recommendation #1**

**We recommend CHE:**

- A. Establish procedures to monitor subrecipient cash balances.**
- B. Modify procedures to disburse funds based on demonstrated need.**

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### **Time and Effort**

Federal regulations require grant recipients to support the salaries and benefits of employees chargeable to more than one program with appropriate time sheets or time and effort certifications. The method used to allocate salaries and benefits should produce a fair distribution of time and effort among the programs served. During the prior audit of CHE, we determined agency personnel allocate their hours based on budgeted rather than actual time spent on each project. CHE concurred with our recommendation to establish procedures to document and charge only allowable costs to the Carl Perkins grant.

During the current audit, we determined CHE developed procedures to study the time and effort spent on the Carl Perkins program (CFDA #84.048), by pay period. The procedures, established in November 1992, include a fiscal year adjustment for actual time spent working on the program. However, due to personnel turnover and change in responsibilities, the process was not completed and the year-end adjustment was not made.

## **Findings and Recommendations**

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Because CHE did not implement a time and effort system to support personal service expenditures charged to the Carl Perkins grant, we question \$18,501 and \$17,294 in costs claimed in fiscal years 1992 and 1993, respectively.

### **Recommendation #2**

**We recommend CHE ensure time and effort records support charges to the Carl Perkins grant and other federal programs.**

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### **Policy on Summer Session Tuition and Fees**

CHE's position on recording summer session tuition and fees is to automatically defer the revenue and related expenditures to the following fiscal year. However, this may not be appropriate at the individual units. CHE's position on automatic deferral conflicts with the requirements of generally accepted accounting principles in situations where summer school is predominately conducted prior to fiscal year-end. When this occurs, summer school revenues and expenditures should be accrued rather than deferred.

The principles of accounting contained within the College and University Business Administration manual (CUBA), constitute generally accepted accounting principles (GAAP) for university reporting. These principles require revenues and expenditures applicable to a summer session be reported totally within the fiscal year in which the summer session is predominantly conducted.

CHE officials said if each campus records summer session differently or if a campus changes practice each year depending on the duration of their summer session, budgeting, full-time equivalent (FTE) counts, and revenue estimating would be significantly more difficult.

However, each campus maintains individual financial records. Therefore, generally accepted accounting principles apply on an



## Findings and Recommendations

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individual unit basis. As a result, individual units may not be consistently recording activity in accordance with GAAP.

We agree with CHE that consistency is important and accounting recognition of summer session revenues and expenditures should not change back and forth from year to year. However, CHE has the discretion and flexibility to define parameters to prevent inconsistent recording of summer session revenues and expenditures. CHE should consider the definition of "predominately conducted" and set acceptable variances by which to measure predominance to ensure summer session activity is recognized in accordance with generally accepted accounting principles.

### **Recommendation #3**

**We recommend CHE ensure units of the Montana University System record summer session financial activity in accordance with generally accepted accounting principles.**

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### **METNET Assessment Fee**

Chapter 622, Laws of 1991, established a Montana Educational Telecommunications Network (METNET) to support education, economic development, and government services in the state. As participants in the network, the university system, vocational-technical centers, and community colleges are assessed a METNET fee. The fee, which is an amount approved by the Board of Regents, must be deposited with CHE by July 1 of the fiscal year, beginning with fiscal year 1991-92. CHE then pays the Department of Administration the commissioner's share of the network costs. These costs totalled \$7,878 for each of fiscal years 1991-92 and 1992-93.

We determined the METNET assessment for fiscal years 1992-93 and 1991-92, were not assessed by CHE until August and September, respectively. As a result of the late assessments, the METNET participants could not comply with state law.

CHE officials said the July 1 deadline is not feasible because fiscal year-end cutoff is two to three weeks later. However, the assessment is based on the number of full time equivalent students enrolled in the units, centers, or colleges. Class rosters are due by the 15th day of the beginning of each semester, therefore, the information to determine the assessments is available and should be billed prior to July 1.

### Recommendation #4

We recommend CHE collect and deposit the METNET fee assessment by July 1 in accordance with state law.

---

### **Rent Payment**

The Commissioner of Higher Education (CHE) and the Montana Guaranteed Student Loan Program (GSL) rent space from the Montana Higher Education Student Assistance Corporation (MHESAC).

The Board of Public Education (BPE) is provided space in the Commissioner's Office for its operations. CHE does not require the BPE to pay rent; rather CHE pays for the BPE's space, plus utilities, with CHE funds. As a result, both CHE and BPE financial records misstate their true cost of operations.

The Commissioner of Higher Education and the Board of Public Education should each present the rent expenditures they are accountable for on their individual financial records to reflect the true cost of operations. CHE officials agreed the rent expenditures should be recorded on the BPE's financial records. Officials said unsuccessful attempts have been made in the past to budget rent for the BPE.

A BPE official said during the past two legislative sessions, BPE has unsuccessfully attempted to obtain funds to pay rent. BPE estimated its share of the office space, as well as common space, totals \$19,000 per fiscal year.

## **Findings and Recommendations**

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### **Recommendation #5**

**We recommend CHE work with BPE and the Governor's Office of Budget and Program Planning to transfer budget authority for rent, and related expenditures, from CHE and BPE.**



# **Independent Auditor's Report & Agency Financial Schedules**

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# Summary of Independent Auditor's Report

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## Summary of Independent Auditor's Report

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustment. The independent auditor's report issued on the financial schedules in this report is intended to convey the degree of reliance the reader can place on the amounts presented.

We issued an unqualified opinion on the financial schedules for each of the two fiscal years ended June 30, 1992 and 1993. This means the reader may rely on the fairness of the financial schedules presented when analyzing the financial activity of the Board of Regents and Commissioner of Higher Education.



# Office of the Legislative Auditor

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SCOTT A. SEACAT  
  
LEGAL COUNSEL:  
JOHN W. NORTHEY

## INDEPENDENT AUDITOR'S REPORT

### DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON  
Operations and EDP Audit  
  
JAMES GILLET  
Financial-Compliance Audit  
  
JIM PELLEGRINI  
Performance Audit

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Board of Regents and Commissioner of Higher Education for each of the two fiscal years ended June 30, 1992 and 1993, beginning on page A-4. The information contained in these financial schedules is the responsibility of the Board of Regents' and Commissioner of Higher Education's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the agency's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Board of Regents and Commissioner of Higher Education for the two fiscal years ended June 30, 1992 and 1993 in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA  
Deputy Legislative Auditor

August 12, 1993



BOARD OF REGENTS AND COMMISSIONER OF HIGHER EDUCATION  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

|  | <u>General Fund</u>      | <u>Special<br/>Revenue<br/>Funds</u> | <u>Enterprise<br/>Funds</u> | <u>Expendable<br/>Trust Funds</u> |
|--|--------------------------|--------------------------------------|-----------------------------|-----------------------------------|
| FUND BALANCE: July 1, 1991               | \$ <u>0</u>              | \$ <u>1,173,226</u>                  | \$ <u>2,156,994</u>         | \$ <u>0</u>                       |
| ADDITIONS:                               |                          |                                      |                             |                                   |
| <u>Fiscal Year 1991-92</u>               |                          |                                      |                             |                                   |
| Prior Year Expenditure Adjustments       | 8,987                    | 36,850                               | 93,510                      |                                   |
| Support From State of Montana            | 127,989,206 <sup>1</sup> |                                      |                             |                                   |
| Budgeted Revenue & Transfers In          |                          | 9,331,550                            | 13,679,134 <sup>3</sup>     | 18,240                            |
| Cash Transfers In                        |                          | 13,976,740 <sup>2</sup>              |                             |                                   |
| <u>Fiscal Year 1992-93</u>               |                          |                                      |                             |                                   |
| Prior Year Expenditure Adjustments       | 9,142                    | 23,642                               |                             |                                   |
| Support from State of Montana            | 118,470,482 <sup>1</sup> |                                      |                             |                                   |
| Budgeted Revenue & Transfers In          |                          | 10,072,176                           | 16,425,655 <sup>3</sup>     | 31,824                            |
| Cash Transfers In                        |                          | 14,406,951 <sup>2</sup>              |                             |                                   |
| Prior Year Revenue Adjustments           |                          | 31,021                               | 68,865                      |                                   |
| Total Additions                          | <u>246,477,817</u>       | <u>47,878,930</u>                    | <u>30,267,164</u>           | <u>50,064</u>                     |
| REDUCTIONS:                              |                          |                                      |                             |                                   |
| <u>Fiscal Year 1991-92</u>               |                          |                                      |                             |                                   |
| Budgeted Expenditures & Transfers Out    | 127,998,193 <sup>1</sup> | 20,935,908                           | 13,079,070                  |                                   |
| Nonbudgeted Expenditures & Transfers Out |                          | 16,129                               | 1,201,965                   |                                   |
| <u>Fiscal Year 1992-93</u>               |                          |                                      |                             |                                   |
| Prior Year Expenditure Adjustments       |                          |                                      | 14,872                      |                                   |
| Budgeted Expenditures & Transfers Out    | 118,482,719 <sup>1</sup> | 24,062,990                           | 14,787,473                  | 15,002                            |
| Nonbudgeted Expenditures & Transfers Out |                          | 8,177                                | 588                         |                                   |
| Prior Year Expenditures                  | (3,095)                  |                                      |                             |                                   |
| Total Reductions                         | <u>246,477,817</u>       | <u>45,023,204</u>                    | <u>29,083,968</u>           | <u>15,002</u>                     |
| FUND BALANCE: June 30, 1993              | \$ <u>0</u>              | \$ <u>4,028,952</u>                  | \$ <u>3,340,190</u>         | \$ <u>35,062</u>                  |

<sup>1</sup> See note 5.

<sup>2</sup> See note 6.

<sup>3</sup> See note 9.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-8.



BOARD OF REGENTS AND COMMISSIONER OF HIGHER EDUCATION  
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

|                                      | <u>Taxes</u> <sup>3</sup> | <u>Charges<br/>For<br/>Services</u> | <u>Investment<br/>Earnings</u> | <u>Federal<br/>Indirect<br/>Cost<br/>Recoveries</u> <sup>1</sup> | <u>Other<br/>Financing<br/>Sources</u> | <u>Federal</u>                    | <u>Sale of<br/>Documents, &amp;<br/>Merchandise</u> | <u>Contributions<br/>and Premiums</u> | <u>Grants,<br/>Contracts,<br/>Donations</u> | <u>Total</u>         |
|--------------------------------------|---------------------------|-------------------------------------|--------------------------------|--|--|-----------------------------------|---|---------------------------------------|---|----------------------|
| <u>Fiscal Year 1992-93</u>           |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| SPECIAL REVENUE FUND                 |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    | \$981,480                 | \$1,905,868                         | \$220,000                      | \$ 23,797  | \$311,525                              | \$ 7,041,196                      |   |                                       |   | \$10,483,866         |
| Actual Revenue                       | <u>895,874</u>            | <u>2,348,590</u>                    | <u>167,776</u>                 | <u>0</u>   | <u>311,525</u>                         | <u>6,348,411</u>                  |   |                                       |   | <u>10,072,176</u>    |
| Collections Over<br>(Under) Estimate | <u>\$(85,606)</u>         | <u>\$ 442,722</u>                   | <u>\$(52,224)</u>              | <u>\$(23,797)</u>  | <u>\$ 0</u>                            | <u>\$(692,785)</u>                |   |                                       |   | <u>\$ (411,690)</u>  |
| ENTERPRISE FUNDS                     |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    |                           |                                     | \$251,000                      |  |  |                                   | \$ 78,760   | \$16,750,000                          | \$ 30,155                                   | \$17,109,915         |
| Actual Revenue                       |                           |                                     | <u>174,624</u>                 |  |  |                                   | <u>112,013</u>                                      | <u>16,126,568</u>                     | <u>12,450</u>                               | <u>16,425,655</u>    |
| Collections Over<br>(Under) Estimate |                           |                                     | <u>\$(76,376)</u>              |  |  |                                   | <u>\$ 33,253</u>                                    | <u>\$(623,432)</u>                    | <u>\$(17,705)</u>                           | <u>\$(684,260)</u>   |
| EXPENDABLE TRUST FUNDS               |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    |                           | \$ 92,000                           | \$ 5,500                       |  |  |                                   |   |                                       |   | \$ 97,500            |
| Actual Revenue                       |                           | <u>31,024</u>                       | <u>800</u>                     |  |  |                                   |   |                                       |   | <u>31,824</u>        |
| Collections Over<br>(Under) Estimate |                           | <u>\$(60,976)</u>                   | <u>\$(4,700)</u>               |  |  |                                   |   |                                       |   | <u>\$(65,676)</u>    |
| <u>Fiscal Year 1991-92</u>           |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| SPECIAL REVENUE FUND                 |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    | \$965,005                 | \$1,770,927                         | \$244,127                      | \$ 17,063  | \$530,000                              | \$10,794,097                      |   |                                       |   | \$14,321,219         |
| Actual Revenue                       | <u>945,934</u>            | <u>1,878,554</u>                    | <u>191,042</u>                 | <u>0</u>   | <u>436,101</u>                         | <u>5,879,919</u>                  |   |                                       |   | <u>9,331,550</u>     |
| Collections Over<br>(Under) Estimate | <u>\$(19,071)</u>         | <u>\$ 107,627</u>                   | <u>\$(53,085)</u>              | <u>\$(17,063)</u>  | <u>\$(93,899)</u>                      | <u>\$(4,914,178)</u> <sup>2</sup> |   |                                       |   | <u>\$(4,989,669)</u> |
| ENTERPRISE FUNDS                     |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    |                           |                                     | \$300,000                      |  |  |                                   | \$11,900,000  |                                       |   | \$12,200,000         |
| Actual Revenue                       |                           |                                     | <u>235,283</u>                 |  |  |                                   | <u>13,443,851</u>                                   |                                       |   | <u>13,679,134</u>    |
| Collections Over<br>(Under) Estimate |                           |                                     | <u>\$(64,717)</u>              |  |  |                                   | <u>\$ 1,543,851</u>                                 |                                       |   | <u>\$ 1,479,134</u>  |
| EXPENDABLE TRUST FUNDS               |                           |                                     |                                |  |  |                                   |   |                                       |   |                      |
| Estimated Revenue                    |                           | \$ 41,952                           |                                |  |  |                                   |   |                                       |   | \$ 41,952            |
| Actual Revenue                       |                           | <u>18,240</u>                       |                                |  |  |                                   |   |                                       |   | <u>18,240</u>        |
| Collections Over<br>(Under) Estimate |                           | <u>\$(23,712)</u>                   |                                |  |  |                                   |   |                                       |   | <u>\$(23,712)</u>    |

<sup>1</sup> See note 10.

<sup>2</sup> See note 8.

<sup>3</sup> See note 6.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-8.





BOARD OF REGENTS AND COMMISSIONER OF HIGHER EDUCATION  
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND FUND - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

|                                 | Administration     | Student Assistance | Eisenhower Mathematics & Sci Ed Act | Community College Assistance | Montana University System Group Insurance | Talent Search    | Vo-Tech Appropriation Distribution | Carl D. Perkins Administration | Appropriation Distribution        | Guaranteed Student Loan Program | Board of Regents Administration | Board of Regents Bond Payments | Vo-tech Center Administration | Montana Career Information System | Total                |
|---------------------------------|--------------------|--------------------|-------------------------------------|------------------------------|---|------------------|------------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------------|--------------------------------|-------------------------------|-----------------------------------|----------------------|
| PERSONAL SERVICES               |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Salaries                        | \$ 629,920         |                    | \$ 17,544                           |                              | \$ 88,375                                 | \$268,429        |                                    | \$ 88,998                      |                                   | \$ 816,983                      |                                 |                                | \$79,611                      | \$ 41,378                         | \$ 2,031,066         |
| Other Compensation              |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 | \$ 9,750                        |                                |                               |                                   | 9,750                |
| Employee Benefits               | <u>127,875</u>     |                    |                                     |                              | <u>21,375</u>                             | <u>67,944</u>    |                                    | <u>18,638</u>                  |                                   | <u>218,381</u>                  |                                 |                                | <u>15,685</u>                 | <u>7,541</u>                      | <u>477,439</u>       |
| Total                           | <u>757,795</u>     |                    | <u>17,544</u>                       |                              | <u>109,750</u>                            | <u>336,372</u>   |                                    | <u>107,464</u>                 |                                   | <u>1,035,364</u>                | <u>9,750</u>                    |                                | <u>95,296</u>                 | <u>48,920</u>                     | <u>2,518,255</u>     |
| OPERATING EXPENSES              |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Other Services                  | 65,106             | \$ 9,000           |                                     |                              | 1,116,809                                 | 11,364           |                                    | 9,984                          |                                   | 641,507                         | 23                              |                                | 1,116                         | 37,849                            | 1,892,758            |
| Supplies & Materials            | 174                |                    |                                     |                              | 7,309                                     | 14,859           |                                    | 5,446                          |                                   | 27,338                          | 600                             |                                | 1,056                         | 3,314                             | 60,096               |
| Communications                  | 28,478             |                    | 17                                  |                              | 5,479                                     | 14,980           |                                    | 9,981                          |                                   | 91,797                          | 1,010                           |                                | 1,723                         | 2,895                             | 156,360              |
| Travel                          | 19,804             |                    | 2,168                               |                              | 8,139                                     | 33,530           |                                    | 19,731                         |                                   | 38,106                          | 18,234                          |                                | 1,037                         | 3,402                             | 144,151              |
| Rent                            | 82,511             |                    |                                     |                              | 12  | 1,264            |                                    | 153                            |                                   | 233,631                         |                                 |                                |                               | 221                               | 317,792              |
| Utilities                       | 8,048              |                    |                                     |                              |   |                  |                                    |                                |                                   | 11,947                          |                                 |                                |                               |                                   | 19,995               |
| Repair & Maintenance            | 31,226             |                    |                                     |                              | 462                                       |                  |                                    |                                |                                   | 13,818                          |                                 |                                |                               |                                   | 45,506               |
| Other Expenses                  | <u>25,444</u>      |                    |                                     |                              | <u>421,092</u>                            | <u>30,354</u>    |                                    | <u>843</u>                     |                                   | <u>476,220</u>                  | <u>507</u>                      |                                | <u>155</u>                    | <u>105</u>                        | <u>954,720</u>       |
| Total                           | <u>260,790</u>     | <u>9,000</u>       | <u>2,185</u>                        |                              | <u>1,559,302</u>                          | <u>106,351</u>   |                                    | <u>46,138</u>                  |                                   | <u>1,534,365</u>                | <u>20,374</u>                   |                                | <u>5,088</u>                  | <u>47,785</u>                     | <u>3,591,378</u>     |
| EQUIPMENT AND INTANGIBLE ASSETS |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Equipment                       | 1,369              |                    |                                     |                              | 4,588                                     | 218              |                                    | 457                            |                                   | 108,242                         |                                 |                                |                               | 2,805                             | 117,679              |
| Intangible Assets               | <u>136</u>         |                    | <u>270</u>                          |                              |   | <u>2,847</u>     |                                    | <u>46</u>                      |                                   | <u>2,354</u>                    |                                 |                                |                               | <u>299</u>                        | <u>5,952</u>         |
| Total                           | <u>1,505</u>       |                    | <u>270</u>                          |                              | <u>4,588</u>                              | <u>3,065</u>     |                                    | <u>503</u>                     |                                   | <u>110,596</u>                  |                                 |                                |                               | <u>3,104</u>                      | <u>123,631</u>       |
| LOCAL ASSISTANCE                |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| From State Sources              |                    | <u>75,000</u>      |                                     | \$3,900,108 <sup>1</sup>     |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>3,975,108</u>     |
| Total                           |                    | <u>75,000</u>      |                                     | <u>3,900,108</u>             |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>3,975,108</u>     |
| GRANTS                          |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| From State Sources              |                    | 4,713,905          |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | 4,713,905            |
| From Federal Sources            |                    | <u>244,321</u>     | <u>275,389</u>                      |                              |   |                  |                                    | <u>1,863,254</u>               |                                   |                                 |                                 |                                |                               |                                   | <u>2,382,964</u>     |
| Total                           |                    | <u>4,958,226</u>   | <u>275,389</u>                      |                              |   |                  |                                    | <u>1,863,254</u>               |                                   |                                 |                                 |                                |                               |                                   | <u>7,096,869</u>     |
| BENEFITS & CLAIMS               |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| To Individuals                  |                    |                    |                                     |                              | 421,599                                   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | 421,599              |
| Insurance Payments              |                    |                    |                                     |                              | <u>12,592,425</u> <sup>2</sup>            |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>12,592,425</u>    |
| Total                           |                    |                    |                                     |                              | <u>13,014,024</u>                         |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>13,014,024</u>    |
| TRANSFERS                       |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Accounting Entity Transfers     | <u>7,878</u>       |                    |                                     |                              |   |                  | \$9,035,030 <sup>1</sup>           | <u>2,906,635</u> <sup>3</sup>  | <u>\$114,381,220</u> <sup>1</sup> |                                 |                                 |                                |                               |                                   | <u>126,330,763</u>   |
| Total                           | <u>7,878</u>       |                    |                                     |                              |   |                  | <u>9,035,030</u>                   | <u>2,906,635</u>               | <u>114,381,220</u>                |                                 |                                 |                                |                               |                                   | <u>126,330,763</u>   |
| DEBT SERVICE                    |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Leases                          |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 | \$698,153                      |                               |                                   | 698,153              |
| Total                           |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 | <u>698,153</u>                 |                               |                                   | <u>698,153</u>       |
| TOTAL PROGRAM EXPENDITURES      | <u>\$1,027,968</u> | <u>\$5,042,226</u> | <u>\$295,388</u>                    | <u>\$3,900,108</u>           | <u>\$14,687,664</u>                       | <u>\$445,788</u> | <u>\$9,035,030</u>                 | <u>\$4,923,994</u>             | <u>\$114,381,220</u>              | <u>\$2,680,325</u>              | <u>\$30,124</u>                 | <u>\$698,153</u>               | <u>\$100,384</u>              | <u>\$ 99,809</u>                  | <u>\$157,348,181</u> |
| GENERAL FUND                    |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Budgeted                        | \$1,024,355        | \$4,788,398        |                                     | \$3,906,621                  |   | \$ 82,040        | \$8,043,699                        | \$ 80,945                      | \$ 99,754,229                     |                                 | \$30,235                        | \$698,153                      | \$100,875                     |                                   | \$118,509,550        |
| Actual                          | <u>1,018,424</u>   | <u>4,782,903</u>   |                                     | <u>3,900,108</u>             |   | <u>82,040</u>    | <u>8,043,699</u>                   | <u>72,654</u>                  | <u>99,754,229</u>                 |                                 | <u>30,124</u>                   | <u>698,153</u>                 | <u>100,384</u>                |                                   | <u>118,482,718</u>   |
| Unspent Budget Authority        | <u>\$ 5,931</u>    | <u>\$ 5,495</u>    |                                     | <u>\$ 6,513</u>              |   | <u>\$ 0</u>      | <u>\$ 0</u>                        | <u>\$ 8,291</u>                | <u>\$ 0</u>                       |                                 | <u>\$ 111</u>                   | <u>\$ 0</u>                    | <u>\$ 491</u>                 |                                   | <u>\$ 26,832</u>     |
| SPECIAL REVENUE FUND            |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Budgeted                        | \$ 30,631          | \$ 280,000         | \$296,440                           |                              |   | \$381,313        | \$ 995,998                         | \$5,103,106                    | \$ 14,631,964                     | \$2,684,898                     |                                 |                                |                               |                                   | \$ 24,404,350        |
| Actual                          | <u>9,544</u>       | <u>244,321</u>     | <u>295,388</u>                      |                              |   | <u>363,748</u>   | <u>991,331</u>                     | <u>4,851,340</u>               | <u>14,626,991</u>                 | <u>2,680,325</u>                |                                 |                                |                               |                                   | <u>24,062,988</u>    |
| Unspent Budget Authority        | <u>\$ 21,087</u>   | <u>\$ 35,679</u>   | <u>\$ 1,052</u>                     |                              |   | <u>\$ 17,565</u> | <u>\$ 4,667</u>                    | <u>\$ 251,766</u>              | <u>\$ 4,973</u>                   | <u>\$ 4,573</u>                 |                                 |                                |                               |                                   | <u>\$ 341,362</u>    |
| ENTERPRISE FUNDS                |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Budgeted                        |                    |                    |                                     |                              | \$16,194,510                              |                  |                                    |                                |                                   |                                 |                                 |                                |                               | \$108,089                         | \$ 16,302,599        |
| Actual                          |                    |                    |                                     |                              | <u>14,687,664</u>                         |                  |                                    |                                |                                   |                                 |                                 |                                |                               | <u>99,809</u>                     | <u>14,787,473</u>    |
| Unspent Budget Authority        |                    |                    |                                     |                              | <u>\$ 1,506,846</u>                       |                  |                                    |                                |                                   |                                 |                                 |                                |                               | <u>\$ 8,280</u>                   | <u>\$ 1,515,126</u>  |
| EXPENDABLE TRUST FUND           |                    |                    |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   |                      |
| Budgeted                        |                    | \$ 25,744          |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | \$ 25,744            |
| Actual                          |                    | <u>15,002</u>      |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>15,002</u>        |
| Unspent Budget Authority        |                    | <u>\$ 10,742</u>   |                                     |                              |   |                  |                                    |                                |                                   |                                 |                                 |                                |                               |                                   | <u>\$ 10,742</u>     |

<sup>1</sup> See note 5.

<sup>2</sup> See note 9.

<sup>3</sup> See note 7.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-8.



BOARD OF REGENTS AND COMMISSIONER OF HIGHER EDUCATION  
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND FUND - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

|                                 | Administration | Student Assistance | Eisenhower Mathematics & Sci Ed Act | Community College Assistance | Montana University System Group Insurance | Talent Search | Vo-Tech Appropriation Distribution | Carl D. Perkins Administration | Appropriation Distribution  | Guaranteed Student Loan Program | Board of Regents Administration | Board of Regents Bond Payments | Vo-tech Center Administration | Total         |
|---------------------------------|----------------|--------------------|-------------------------------------|------------------------------|---|---------------|------------------------------------|--------------------------------|-----------------------------|---------------------------------|---------------------------------|--------------------------------|-------------------------------|---------------|
| PERSONAL SERVICES               |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Salaries                        | \$ 646,511     |                    | \$ 14,484                           |                              | \$ 85,571                                 | \$244,459     |                                    | \$ 99,501                      |                             | \$ 737,537                      |                                 |                                | \$74,279                      | \$ 1,902,342  |
| Other Compensation              |                |                    |                                     |                              |   |               |                                    | 500                            |                             |                                 | \$11,800                        |                                |                               | 12,300        |
| Employee Benefits               | 177,358        |                    |                                     |                              | 19,303                                    | 54,735        |                                    | 22,185                         |                             | 186,623                         |                                 |                                | 14,912                        | 475,116       |
| Total                           | 823,869        |                    | 14,484                              |                              | 104,874                                   | 299,194       |                                    | 122,186                        |                             | 924,160                         | 11,800                          |                                | 89,191                        | 2,389,758     |
| OPERATING EXPENSES              |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Other Services                  | 69,154         |                    |                                     |                              | 848,107                                   | 3,101         |                                    | 2,101                          |                             | 454,470                         | 1,700                           |                                | 1,083                         | 1,379,716     |
| Supplies & Materials            | 15,680         |                    |                                     |                              | 5,698                                     | 18,509        |                                    | 9,847                          |                             | 26,742                          | 459                             |                                | 835                           | 77,770        |
| Communications                  | 30,921         |                    | 1,589                               |                              | 6,241                                     | 17,472        |                                    | 7,653                          |                             | 158,555                         | 1,078                           |                                | 2,342                         | 225,851       |
| Travel                          | 32,338         |                    | 183                                 |                              | 8,538                                     | 39,755        |                                    | 24,844                         |                             | 44,700                          | 18,574                          |                                | 1,157                         | 170,089       |
| Rent                            | 91,897         |                    |                                     |                              | 659                                       | 2,810         |                                    | 884                            |                             | 120,826                         |                                 |                                |                               | 217,076       |
| Utilities                       | 12,007         |                    |                                     |                              |   |               |                                    |                                |                             | 4,401                           |                                 |                                |                               | 16,408        |
| Repair & Maintenance            | 28,435         |                    |                                     |                              | 238                                       | 49            |                                    |                                |                             | 19,223                          |                                 |                                |                               | 47,945        |
| Other Expenses                  | 20,653         |                    |                                     |                              | 341,679                                   | 29,132        |                                    | 1,305                          |                             | 404,860                         | 622                             |                                |                               | 798,251       |
| Total                           | 301,085        |                    | 1,772                               |                              | 1,211,160                                 | 110,828       |                                    | 46,634                         |                             | 1,233,777                       | 22,433                          |                                | 5,417                         | 2,933,106     |
| EQUIPMENT AND INTANGIBLE ASSETS |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Equipment                       | 49,902         |                    |                                     |                              | 156                                       | 8,201         |                                    | 4,326                          |                             | 125,432                         |                                 |                                | 1,140                         | 189,157       |
| Intangible Assets               | 800            |                    | 85                                  |                              |   |               |                                    | 70                             |                             | 175                             |                                 |                                |                               | 1,130         |
| Total                           | 50,702         |                    | 85                                  |                              | 156                                       | 8,201         |                                    | 4,396                          |                             | 125,607                         |                                 |                                | 1,140                         | 190,287       |
| LOCAL ASSISTANCE                |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| From State Sources              |                | \$ 71,500          |                                     | \$3,661,549 <sup>1</sup>     |   |               |                                    |                                |                             |                                 |                                 |                                |                               | 3,733,049     |
| Total                           |                | 71,500             |                                     | 3,661,549                    |   |               |                                    |                                |                             |                                 |                                 |                                |                               | 3,733,049     |
| GRANTS                          |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| From State Sources              |                | 4,669,838          |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               | 4,669,838     |
| From Federal Sources            |                | 232,092            | 233,500                             |                              |   |               |                                    | 1,633,793                      |                             |                                 |                                 |                                |                               | 2,099,385     |
| Total                           |                | 4,901,930          | 233,500                             |                              |   |               |                                    | 1,633,793                      |                             |                                 |                                 |                                |                               | 6,769,223     |
| BENEFITS & CLAIMS               |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| To Individuals                  |                |                    |                                     |                              | 30,952                                    |               |                                    |                                |                             |                                 |                                 |                                |                               | 30,952        |
| Insurance Payments              |                |                    |                                     |                              | 11,731,928 <sup>2</sup>                   |               |                                    |                                |                             |                                 |                                 |                                |                               | 11,731,928    |
| Total                           |                |                    |                                     |                              | 11,762,880                                |               |                                    |                                |                             |                                 |                                 |                                |                               | 11,762,880    |
| TRANSFERS                       |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Accounting Entity Transfers     | 7,878          |                    |                                     |                              |   |               | \$9,688,508 <sup>1</sup>           | 2,811,321 <sup>3</sup>         | \$ 121,020,906 <sup>1</sup> |                                 |                                 |                                |                               | 133,528,613   |
| Total                           | 7,878          |                    |                                     |                              |   |               | 9,688,508                          | 2,811,321                      | 121,020,906                 |                                 |                                 |                                |                               | 133,528,613   |
| DEBT SERVICE                    |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 | \$706,255                      |                               | 706,255       |
| Leases                          |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 | 706,255                        |                               | 706,255       |
| Total                           |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 | 706,255                        |                               | 706,255       |
| TOTAL PROGRAM EXPENDITURES      | \$1,183,534    | \$ 4,973,430       | \$249,841                           | \$3,661,549                  | \$13,079,070                              | \$418,223     | \$9,688,508                        | \$ 4,618,330                   | \$ 121,020,906              | \$ 2,283,544                    | \$34,233                        | \$706,255                      | \$95,748                      | \$162,013,171 |
| GENERAL FUND                    |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Budgeted                        | \$1,181,688    | \$ 4,743,062       |                                     | \$3,664,968                  |   | \$161,596     | \$8,723,503                        | \$ 88,477                      | \$ 108,745,595              |                                 | \$34,326                        | \$706,255                      | \$97,412                      | \$128,146,882 |
| Actual                          | 1,154,027      | 4,741,338          |                                     | 3,661,549                    |   | 79,557        | 8,723,503                          | 86,388                         | 108,715,595                 |                                 | 34,233                          | 706,255                        | 95,748                        | 127,998,193   |
| Unspent Budget Authority        | \$ 27,661      | \$ 1,724           |                                     | \$ 3,419                     |   | \$ 82,039     | \$ 0                               | \$ 2,089                       | \$ 30,000                   |                                 | \$ 93                           | \$ 0                           | \$ 1,664                      | \$ 148,689    |
| SPECIAL REVENUE FUND            |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Budgeted                        | \$ 30,000      | \$ 280,000         | \$249,842                           |                              |   | \$357,206     | \$ 965,005                         | \$ 5,118,043                   | \$ 12,587,000               | \$ 2,412,304                    |                                 |                                |                               | \$ 21,999,400 |
| Actual                          | 29,507         | 232,092            | 249,841                             |                              |   | 338,666       | 965,005                            | 4,531,942                      | 12,305,311                  | 2,283,544                       |                                 |                                |                               | 20,935,908    |
| Unspent Budget Authority        | \$ 493         | \$ 47,908          | \$ 1                                |                              |   | \$ 18,540     | \$ 0                               | \$ 586,101                     | \$ 281,689                  | \$ 128,760                      |                                 |                                |                               | \$ 1,063,492  |
| ENTERPRISE FUNDS                |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Budgeted                        |                |                    |                                     |                              | \$13,906,294                              |               |                                    |                                |                             |                                 |                                 |                                |                               | \$ 13,906,294 |
| Actual                          |                |                    |                                     |                              | 13,079,070                                |               |                                    |                                |                             |                                 |                                 |                                |                               | 13,079,070    |
| Unspent Budget Authority        |                |                    |                                     |                              | \$ 827,224                                |               |                                    |                                |                             |                                 |                                 |                                |                               | \$ 827,224    |
| EXPENDABLE TRUST FUND           |                |                    |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               |               |
| Budgeted                        |                | \$ 4,195           |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               | \$ 4,195      |
| Actual                          |                | 0                  |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               | 0             |
| Unspent Budget Authority        |                | \$ 4,195           |                                     |                              |   |               |                                    |                                |                             |                                 |                                 |                                |                               | \$ 4,195      |

<sup>1</sup> See note 5.  
<sup>2</sup> See note 9.  
<sup>3</sup> See note 7.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-8.



# Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1993

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## 1. **Summary of Significant Accounting Policies**

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### **Basis of Accounting**

The Board of Regents (board) and Commissioner of Higher Education (CHE) use the modified accrual basis of accounting, as defined by state accounting policy for their Governmental Funds. In applying the modified accrual basis, the agency records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the agency incurs the related liability and it is measurable.

Expenditures and expenses may also include entire budgeted service contracts even though the agency received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

State accounting policy also requires the agency to record the cost of employees' annual leave and sick leave when used or paid.

The agency uses accrual basis accounting for Proprietary Funds. Under the accrual basis, as defined by state accounting policy, the agency records revenues in the accounting period earned, if measurable; and records expenses in the period incurred, if measurable.

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### **Basis of Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustment. Accounts are organized in funds according to state law. The agency uses the following funds:



## Notes to the Financial Schedules

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### Governmental Funds

**General** - to account for all financial resources except those required to be accounted for in another fund. The Commissioner includes funds appropriated for general operations of the agency and distribution to the six university units, the five vocational-technical centers, and three community colleges for their general operations.

**Special Revenue Fund** - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. The majority of this activity includes mill levy distributions to the six university units and five vocational-technical centers and the activities of the Guaranteed Student Loan Program and other federal programs.

### Proprietary Funds

**Enterprise Fund** - to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the agency finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. Administration of the Montana University System's group health insurance plan is recorded in the Enterprise Fund.

### Fiduciary Funds

**Expendable Trust Fund** - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental entities or other funds. Administration of the Rural Physicians Incentive Program is recorded in this fund. The legislature established this program to encourage physicians to locate in rural Montana areas by paying a portion of the physicians' educational debt.

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## 2. Annual and Sick Leave

Employees at the agency accumulate both annual and sick leave. The agency pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities related to the Governmental Funds for annual and sick leave are not reflected in accompanying financial schedules. In the Proprietary Funds, annual and sick leave are recognized as expenses when the related liability is recorded. The agency absorbs expenditures for termination pay in its annual operational costs. At June 30, 1992 and 1993 the

## Notes to the Financial Schedules

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agency had a liability of \$226,515 and \$197,628, respectively, for its Governmental Funds. The liability recorded in the Proprietary Fund was \$17,218 and \$18,735 at June 30, 1992 and 1993, respectively.

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### 3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), or Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). The agency's contributions to PERS, TRS, and TIAA-CREF totalled \$174,544 in fiscal year 1991-92 and \$129,731 in fiscal year 1992-93.

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### 4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

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### 5. General Fund Appropriations

House Bill 2, Laws of 1991, appropriated General Fund moneys to CHE for distribution to the six units of the university system, three community colleges and five vocational-technical centers. CHE accounts for this activity in the General Fund as Support from state of Montana, Budgeted Transfers Out to universities and vocational-technical centers, and Budgeted Local Assistance Expenditures to community colleges.

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### 6. Property Taxes

Section 20-16-202, MCA, levies property tax mills to support, maintain and improve the Montana vocational-technical centers. The counties collect the tax and remit it to the State Treasurer. CHE subsequently distributes these moneys to the five vocational-technical centers for general operations. CHE accounted for this activity in the Special Revenue Fund as Budgeted Taxes Revenue totalling \$945,934 and \$895,874 in fiscal years 1991-92 and 1992-93, respectively.

Section 20-25-423, MCA, levies property tax mills to support, maintain and improve the Montana University System. CHE

## Notes to the Financial Schedules

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recorded the university millage in the Special Revenue Fund as Cash Transfers In totalling \$13,558,343 and \$13,964,418 in fiscal years 1991-92 and 1992-93, respectively. Subsequent disbursement is recorded as a Budgeted Transfer Out.

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### 7. Carl Perkins Federal Funds

The Board of Regents is the sole state recipient of funds under the Carl Perkins Federal Vocational Education Act. On behalf of the board, CHE contracts with the Office of Public Instruction (OPI) to provide management of all Carl Perkins grants to secondary schools. CHE transferred \$2,811,321 and \$2,906,635 in fiscal years 1991-92 and 1992-93, respectively, to OPI to fund primary and secondary school vocational education projects. CHE records funds received from the federal grantor (U.S. Department of Education) as Budgeted Federal Revenues and funds sent to OPI for secondary projects as Budgeted Transfers Out.

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### 8. Carl Perkins Estimated Revenues

The estimated federal revenue shown on the Schedule of Budgeted Revenue and Transfers In - Estimated and Actual includes Carl Perkins grant authority for more than one fiscal year. CHE has 27 months to spend against the Carl Perkins authority granted for a fiscal year. The actual revenue recorded on the schedules includes funds received under current and preceding year grant authority.

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### 9. Montana University System Group Benefits Plan

The Montana University System (MUS) Group Benefits plan was authorized by the Board of Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System, as well as their dependents, retirees, and Consolidated Omnibus Budget Reconciliation Act (COBRA) members. Beginning July 1, 1990, the MUS Group Benefits Plan is fully self-insured with a stop loss underwritten by United of Omaha. (The plan is reinsured at 125 percent of expected claims.) United of Omaha is the claims administrator on the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. Premiums are



collected from employees through payroll deductions and recorded in the MUS Group Insurance Enterprise Fund.

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**10. Federal Indirect Cost Recoveries Estimate**

CHE administers the Talent Search Program, this federal grant allows federal indirect cost recoveries (IDCR) at a rate set by the U.S. Department of Education. In fiscal years 1991-92 and 1992-93, CHE collected IDCRs totalling \$25,196 and \$23,921, respectively. Expenditures were reversed rather than recording revenue.



# Agency Response

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# MONTANA HIGHER EDUCATION SYSTEMS

Office of Commissioner of Higher Education

DEC - 3 1993

2500 Broadway • PO Box 203101 • Helena, Montana 59620-3101 • (406) 444-6570 • FAX (406) 444-0684

December 3, 1993

Mr. Scott Seacat  
Legislative Auditor  
State Capitol  
Helena, MT. 59620

Dear Mr. Seacat:

Enclosed are the responses to the financial-compliance audit report of the Board of Regents and Commissioner of Higher Education for the two years ended June 30, 1993. We concur with all but one of your current period recommendations and regret that one recommendation from the prior audit was only partially implemented. Unfortunately, the problem of vacancy savings and employee turnover continues to make compliance with federal and state policies more difficult.

We wish to extend our thanks to your staff for the non-disruptive and facilitative manner in which they conducted the audit. They were most patient with our personnel and time constraints and we appreciate this courtesy.

Sincerely,

A handwritten signature in cursive script that reads "Laurie O. Neils".

Laurie O. Neils  
Director of Budget and Accounting

c: Rod Sundsted

enclosure

## RECOMMENDATION #1

We recommend CHE:

- A. Establish procedures to monitor subrecipient cash balances.
- B. Modify procedures to disburse funds based on demonstrated need.

### AGENCY RESPONSE

Concur.

The Office of the Commissioner of Higher Education does review the cash balances contained on the quarterly reports. If the report indicates cash on hand, the next cash distribution is reduced by that amount. In conjunction with the quarterly report information, the CHE Perkins fiscal staff is now reviewing the SBAS daily cash status report for the Vocational Technical Centers' balances. If, according to the daily cash report, the balance within each Vo-Tech's Perkins accounting entity does not indicate the need for further cash, the request for funds will not be processed. The cash request is not processed until a review of cash balances indicates the necessity of further disbursements.

## RECOMMENDATION #2

We recommend CHE ensure time and effort records support charges to the Carl Perkins grant and other federal programs.

### AGENCY RESPONSE

Concur.

In November 1992, procedures were established and distributed to employees whose responsibilities are split between federal and other programs. Time reports are submitted biweekly with individual time sheets and an accounting of time and effort is recorded on this time sheet. Any required adjustments of actual percentage of time worked versus budgeted percentage of hours will be made at the end of the fiscal year. The adjustment could not be made for fiscal year 1993 because the procedures were not implemented in time to make a full year's analysis. The adjustment will be made for fiscal year 1994 and subsequent years.

### RECOMMENDATION #3

We recommend CHE ensure units of the Montana University System record summer session financial activity in accordance with generally accepted accounting principles.

#### AGENCY RESPONSE

Do Not Concur.

The University System is reluctant to make a change in accounting practice which would cause inconsistent, misleading, and possibly very confusing information in order to comply with a Generally Accepted Accounting Principle. In fact, Rule 203-Accounting Principles, included in the AICPA Professional Standards, recommends the following if statements or data contain any departure from an accounting principle that has a material effect on the statements or data taken as a whole:

"If, however, the statements or data contain such a departure and the member can demonstrate that due to unusual circumstances the financial statements or data would otherwise have been misleading, the member can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement."

The University System is willing to make a footnote disclosure encompassing the above AICPA statement. However, even if the University System defined "predominately conducted" in a manner to allow most of the campuses to defer the revenue and expenditures for summer session for one year, some campuses may not qualify under the changed definition at all and some campuses may be required to change in subsequent years. A campus could then conceivably record two summer sessions or no summer sessions in one year. That would be truly misleading. We are then right back where we started from with inconsistent data among the University System units which makes system management of FTE, revenues, and budgeting difficult at best.

The University System believes that our financial information should be consistent, useful, and free from material misstatement. Strict compliance with GAAP on the summer session issue does not enhance those qualities.



#### RECOMMENDATION #4

We recommend CHE collect and deposit the METNET fee assessment by July 1 in accordance with state law.

#### AGENCY RESPONSE

Concur.

The University System did not assess or collect the METNET fee by July 1 and it is not feasible to do so during the current biennium either. The previous fiscal year's accounting activity had not been completely recorded until near the end of July. Only transactions which were critical were recorded during July. CHE did not perceive that Legislative intent focused on the July 1 date but rather the collection of the fee within the fiscal year since the timing has no material effect on the State or the program. The University System will attempt to get the date changed the next time the bill is authorized.

RECOMMENDATION #5

We recommend CHE work with BPE and the Governor's Office of Budget and Program Planning to transfer budget authority for rent, and related expenditures, from CHE and BPE.

AGENCY RESPONSE:

Concur. However, this is and will continue to be a legislative decision.



